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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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FORM D

NOTICE OF SALE OF SECURITIES
PURSUANT TO REGULATION D,
SECTION 4(6), AND/OR
UNIFORM LIMITED OFFERING EXEMPTION

SEC USE ONLY	
Prefix	Serial
DATE RECEIVED	



02014960

Name of Offering (☐ check if this is an amendment and name has changed, and indicate change.)

Conversion of Debt to Convertible Preferred Stock

Filing Under (Check box(es) that apply): ☐ Rule 504 ☐ Rule 505 ☐ Rule 506 ☐ Section 4(6) ☐ ULOE

Type of Filing: ☒ New Filing ☐ Amendment

A. BASIC IDENTIFICATION DATA

1. Enter the information requested about the issuer

Name of Issuer (☐ check if this is an amendment and name has changed, and indicate change.)

GSE Systems, Inc.

Address of Executive Offices (Number and Street, City, State, Zip Code) Telephone Number (Including Area Code)

9189 Red Branch Road, Columbia, MD 21045 (410) 772-3500

Address of Principal Business Operations (Number and Street, City, State, Zip Code) Telephone Number (Including Area Code)
(if different from Executive Offices)

Brief Description of Business

PROCESSED

Software manufacturer for real-time simulation and process controls

Type of Business Organization

☒ corporation

☐ limited partnership, already formed

☐ other (please specify)

☐ business trust

☐ limited partnership, to be formed

THOMSON
FINANCIAL

Actual or Estimated Date of Incorporation or Organization: Month Year
03 94 ☒ Actual ☐ Estimated

Jurisdiction of Incorporation or Organization: (Enter two-letter U.S. Postal Service abbreviation for State;
CN for Canada; FN for other foreign jurisdiction) DE

GENERAL INSTRUCTIONS

Federal:

Who Must File: All issuers making an offering of securities in reliance on an exemption under Regulation D or Section 4(6), 17 CFR 230.501 et seq. or 15 U.S.C. 77d(6).

When To File: A notice must be filed no later than 15 days after the first sale of securities in the offering. A notice is deemed filed with the U.S. Securities and Exchange Commission (SEC) on the earlier of the date it is received by the SEC at the address given below or, if received at that address after the date on which it is due, on the date it was mailed by United States registered or certified mail to that address.

Where to File: U.S. Securities and Exchange Commission, 450 Fifth Street, N.W., Washington, D.C. 20549.

Copies Required: Five (5) copies of this notice must be filed with the SEC, one of which must be manually signed. Any copies not manually signed must be photocopies of the manually signed copy or bear typed or printed signatures.

Information Required: A new filing must contain all information requested. Amendments need only report the name of the issuer and offering, any changes thereto, the information requested in Part C, and any material changes from the information previously supplied in Parts A and B. Part E and the Appendix need not be filed with the SEC.

Filing Fee: There is no federal filing fee.

State:

This notice shall be used to indicate reliance on the Uniform Limited Offering Exemption (ULOE) for sales of securities in those states that have adopted ULOE and that have adopted this form. Issuers relying on ULOE must file a separate notice with the Securities Administrator in each state where sales are to be, or have been made. If a state requires the payment of a fee as a precondition to the claim for the exemption, a fee in the proper amount shall accompany this form. This notice shall be filed in the appropriate states in accordance with state law. The Appendix to the notice constitutes a part of this notice and must be completed.

ATTENTION

Failure to file notice in the appropriate states will not result in a loss of the federal exemption. Conversely, failure to file the appropriate federal notice will not result in a loss of an available state exemption unless such exemption is predicated on the filing of a federal notice.

Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

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A. BASIC IDENTIFICATION DATA

2. Enter the information requested for the following:

- Each promoter of the issuer, if the issuer has been organized within the past five years;
- Each beneficial owner having the power to vote or dispose, or direct the vote or disposition of, 10% or more of a class of equity securities of the issuer;
- Each executive officer and director of corporate issuers and of corporate general and managing partners of partnership issuers; and
- Each general and managing partner of partnership issuers.

Check Box(es) that Apply: ☐ Promoter ☐ Beneficial Owner ☐ Executive Officer ☒ Director ☐ General and/or Managing Partner

Full Name (Last name first, if individual)

Feldman, Jerome I.

Business or Residence Address (Number and Street, City, State, Zip Code)

9 West 57th Street, New York, New York 10019

Check Box(es) that Apply: ☐ Promoter ☐ Beneficial Owner ☐ Executive Officer ☒ Director ☐ General and/or Managing Partner

Full Name (Last name first, if individual)

Greenberg, Scott N.

Business or Residence Address (Number and Street, City, State, Zip Code)

9 West 57th Street, New York, New York 10019

Check Box(es) that Apply: ☐ Promoter ☐ Beneficial Owner ☐ Executive Officer ☒ Director ☐ General and/or Managing Partner

Full Name (Last name first, if individual)

Pedersen, George J.

Business or Residence Address (Number and Street, City, State, Zip Code)

12015 Lee Jackson Highway, Fairfax, Virginia 22033

Check Box(es) that Apply: ☐ Promoter ☐ Beneficial Owner ☐ Executive Officer ☒ Director ☐ General and/or Managing Partner

Full Name (Last name first, if individual)

Moore, John A.

Business or Residence Address (Number and Street, City, State, Zip Code)

12015 Lee Jackson Highway, Fairfax, Virginia 22033

Check Box(es) that Apply: ☐ Promoter ☐ Beneficial Owner ☒ Executive Officer ☒ Director ☐ General and/or Managing Partner

Full Name (Last name first, if individual)

Jen, Chin-our Jerry

Business or Residence Address (Number and Street, City, State, Zip Code)

9189 Red Branch Road, Columbia, Maryland 21045

Check Box(es) that Apply: ☐ Promoter ☐ Beneficial Owner ☐ Executive Officer ☒ Director ☐ General and/or Managing Partner

Full Name (Last name first, if individual)

Hagengruber, Roger L.

Business or Residence Address (Number and Street, City, State, Zip Code)

1435 Honeysuckle, N.E., Albuquerque, New Mexico 87122

Check Box(es) that Apply: ☐ Promoter ☐ Beneficial Owner ☐ Executive Officer ☒ Director ☐ General and/or Managing Partner

Full Name (Last name first, if individual)

Glashow, Sheldon L.

Business or Residence Address (Number and Street, City, State, Zip Code)

30 Prescott Street, Brookline, Massachusetts 02146

(Use blank sheet, or copy and use additional copies of this sheet, as necessary.)

A. BASIC IDENTIFICATION DATA

2. Enter the information requested for the following:

- Each promoter of the issuer, if the issuer has been organized within the past five years;
- Each beneficial owner having the power to vote or dispose, or direct the vote or disposition of, 10% or more of a class of equity securities of the issuer;
- Each executive officer and director of corporate issuers and of corporate general and managing partners of partnership issuers; and
- Each general and managing partner of partnership issuers.

Check Box(es) that Apply: ☐ Promoter ☐ Beneficial Owner ☐ Executive Officer ☒ Director ☐ General and/or Managing Partner

Full Name (Last name first, if individual)

Lewis, Joseph W.

Business or Residence Address (Number and Street, City, State, Zip Code)

1225 Woodlawn Circle, Elm Grove, Wisconsin 53122

Check Box(es) that Apply: ☐ Promoter ☐ Beneficial Owner ☐ Executive Officer ☐ Director ☐ General and/or Managing Partner

Full Name (Last name first, if individual)

Business or Residence Address (Number and Street, City, State, Zip Code)

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Full Name (Last name first, if individual)

Business or Residence Address (Number and Street, City, State, Zip Code)

(Use blank sheet, or copy and use additional copies of this sheet, as necessary.)

1. Has the issuer sold, or does the issuer intend to sell, to non-accredited investors in this offering? Yes No
☐ ☒

Answer also in Appendix, Column 2, if filing under ULOE.

2. What is the minimum investment that will be accepted from any individual? \$ NA

3. Does the offering permit joint ownership of a single unit? Yes No
☐ ☒

4. Enter the information requested for each person who has been or will be paid or given, directly or indirectly, any commission or similar remuneration for solicitation of purchasers in connection with sales of securities in the offering. If a person to be listed is an associated person or agent of a broker or dealer registered with the SEC and/or with a state or states, list the name of the broker or dealer. If more than five (5) persons to be listed are associated persons of such a broker or dealer, you may set forth the information for that broker or dealer only..

Full Name (Last name first, if individual)

Business or Residence Address (Number and Street, City, State, Zip Code)

Name of Associated Broker or Dealer

States in Which Person Listed Has Solicited or Intends to Solicit Purchasers

(Check "All States" or check individual States) ☐ All States

[AL]	[AK]	[AZ]	[AR]	[CA]	[CO]	[CT]	[DE]	[DC]	[FL]	[GA]	[HI]	[ID]
[IL]	[IN]	[IA]	[KS]	[KY]	[LA]	[ME]	[MD]	[MA]	[MI]	[MN]	[MS]	[MO]
[MT]	[NE]	[NV]	[NH]	[NJ]	[NM]	[NY]	[NC]	[ND]	[OH]	[OK]	[OR]	[PA]
[RI]	[SC]	[SD]	[TN]	[TX]	[UT]	[VT]	[VA]	[WA]	[WV]	[WI]	[WY]	[PR]

Full Name (Last name first, if individual)

Business or Residence Address (Number and Street, City, State, Zip Code)

Name of Associated Broker or Dealer

States in Which Person Listed Has Solicited or Intends to Solicit Purchasers

(Check "All States" or check individual States) ☐ All States

[AL]	[AK]	[AZ]	[AR]	[CA]	[CO]	[CT]	[DE]	[DC]	[FL]	[GA]	[HI]	[ID]
[IL]	[IN]	[IA]	[KS]	[KY]	[LA]	[ME]	[MD]	[MA]	[MI]	[MN]	[MS]	[MO]
[MT]	[NE]	[NV]	[NH]	[NJ]	[NM]	[NY]	[NC]	[ND]	[OH]	[OK]	[OR]	[PA]
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Full Name (Last name first, if individual)

Business or Residence Address (Number and Street, City, State, Zip Code)

Name of Associated Broker or Dealer

States in Which Person Listed Has Solicited or Intends to Solicit Purchasers

(Check "All States" or check individual States) ☐ All States

[AL]	[AK]	[AZ]	[AR]	[CA]	[CO]	[CT]	[DE]	[DC]	[FL]	[GA]	[HI]	[ID]
[IL]	[IN]	[IA]	[KS]	[KY]	[LA]	[ME]	[MD]	[MA]	[MI]	[MN]	[MS]	[MO]
[MT]	[NE]	[NV]	[NH]	[NJ]	[NM]	[NY]	[NC]	[ND]	[OH]	[OK]	[OR]	[PA]
[RI]	[SC]	[SD]	[TN]	[TX]	[UT]	[VT]	[VA]	[WA]	[WV]	[WI]	[WY]	[PR]

(Use blank sheet, or copy and use additional copies of this sheet, as necessary.)

NUMBER OF INVESTORS, EXPENSES AND USE OF PROCEEDS

1. Enter the aggregate offering price of securities included in this offering and the total amount already sold. Enter "0" if answer is "none" or "zero." If the transaction is an exchange offering, check this box ☒ and indicate in the columns below the amounts of the securities offered for exchange and already exchanged.

Type of Security	Aggregate Offering Price	Amount Already Sold
Debt	\$	\$
Equity	\$	\$
<input type="checkbox"/> Common <input checked="" type="checkbox"/> Preferred		
Convertible Securities (including warrants)	\$3,900,000	\$3,900,000
Partnership Interests	\$	\$
Other (Specify)	\$	\$
Total	\$3,900,000	\$3,900,000

Answer also in Appendix, Column 3, if filing under ULOE.

2. Enter the number of accredited and non-accredited investors who have purchased securities in this offering and the aggregate dollar amounts of their purchases. For offerings under Rule 504, indicate the number of persons who have purchased securities and the aggregate dollar amount of their purchases on the total lines. Enter "0" if answer is "none" or "zero."

	Number Investors	Aggregate Dollar Amount of Purchases
Accredited Investors	1	\$3,900,000
Non-accredited Investors	\$
Total (for filings under Rule 504 only)	\$

Answer also in Appendix, Column 4, if filing under ULOE.

3. If this filing is for an offering under Rule 504 or 505, enter the information requested for all securities sold by the issuer, to date, in offerings of the types indicated, in the twelve (12) months prior to the first sale of securities in this offering. Classify securities by type listed in Part C - Question 1.

Type of offering	Type of Security	Dollar Amount Sold
Rule 505	Preferred	\$3,900,000
Regulation A	\$
Rule 504	\$
Total	\$3,900,000

4. a. Furnish a statement of all expenses in connection with the issuance and distribution of the securities in this offering. Exclude amounts relating solely to organization expenses of the issuer. The information may be given as subject to future contingencies. If the amount of an expenditure is not known, furnish an estimate and check the box to the left of the estimate.

Transfer Agent's Fees	<input type="checkbox"/> \$
Printing and Engraving Costs	<input type="checkbox"/> \$
Legal Fees	<input checked="" type="checkbox"/> \$8,659
Accounting Fees	<input type="checkbox"/> \$
Engineering Fees	<input type="checkbox"/> \$
Sales Commissions (specify finders' fees separately)	<input type="checkbox"/> \$
Other Expenses (identify) <u>Amex Listing Dept.</u>	<input checked="" type="checkbox"/> \$17,500
Total	<input checked="" type="checkbox"/> \$26,159

EXPENSES AND USE OF PROCEEDS

b. Enter the difference between the aggregate offering price given in response to Part C - Question 1 and total expenses furnished in response to Part C - Question 4.a. This difference is the "adjusted gross proceeds to the issuer."

\$ 3,873,841

5. Indicate below the amount of the adjusted gross proceeds to the issuer used or proposed to be used for each of the purposes shown. If the amount for any purpose is not known, furnish an estimate and check the box to the left of the estimate. The total of the payments listed must equal the adjusted gross proceeds to the issuer set forth in response to Part C - Question 4.b above.

	Payments to Officers, Directors, & Affiliates	Payments To Others
Salaries and fees	<input type="checkbox"/> \$ 0	<input type="checkbox"/> \$ 0
Purchase of real estate	<input type="checkbox"/> \$ 0	<input type="checkbox"/> \$ 0
Purchase, rental or leasing and installation of machinery and equipment	<input type="checkbox"/> \$ 0	<input type="checkbox"/> \$ 0
Construction or leasing of plant buildings and facilities	<input type="checkbox"/> \$ 0	<input type="checkbox"/> \$ 0
Acquisition of other businesses (including the value of securities involved in this offering that may be used in exchange for the assets or securities of another issuer pursuant to a merger)	<input type="checkbox"/> \$ 0	<input type="checkbox"/> \$ 0
Repayment of indebtedness	<input type="checkbox"/> \$ 0	<input type="checkbox"/> \$ 3,873,841
Working capital	<input type="checkbox"/> \$	<input type="checkbox"/> \$
Other (specify):	<input type="checkbox"/> \$	<input type="checkbox"/> \$
.....	<input type="checkbox"/> \$	<input type="checkbox"/> \$
.....	<input type="checkbox"/> \$	<input type="checkbox"/> \$
Column Totals	<input type="checkbox"/> \$	XX \$ 3,873,841
Total Payments Listed (column totals added)	☑ \$ 3,873,841	

D. FEDERAL SIGNATURE

The issuer has duly caused this notice to be signed by the undersigned duly authorized person. If this notice is filed under Rule 505, the following signature constitutes an undertaking by the issuer to furnish to the U.S. Securities and Exchange Commission, upon written request of its staff, the information furnished by the issuer to any non-accredited investor pursuant to paragraph (b)(2) of Rule 502.

Issuer (Print or Type) GSE Systems, Inc.	Signature <i>Richard Luebke</i>	Date 1/22/02
Name of Signer (Print or Type) Richard Luebke	Title of Signer (Print or Type) Corporate Counsel	

ATTENTION

Intentional misstatements or omissions of fact constitute federal criminal violations. (See 18 U.S.C. 1001.)

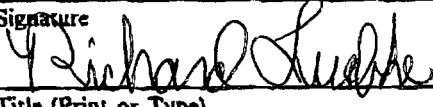
E. STATE SIGNATURE

1. Is any party described in 17 CFR 230.262 presently subject to any of the disqualification provisions of such rule? Yes ☐ No ☒

See Appendix, Column S, for state response.

2. The undersigned issuer hereby undertakes to furnish to any state administrator of any state in which this notice is filed, a notice on Form D (17 CFR 239.500) at such times as required by state law.
3. The undersigned issuer hereby undertakes to furnish to the state administrators, upon written request, information furnished by the issuer to offerees.
4. The undersigned issuer represents that the issuer is familiar with the conditions that must be satisfied to be entitled to the Uniform limited Offering Exemption (ULOE) of the state in which this notice is filed and understands that the issuer claiming the availability of this exemption has the burden of establishing that these conditions have been satisfied.

The issuer has read this notification and knows the contents to be true and has duly caused this notice to be signed on its behalf by the undersigned duly authorized person.

Issuer (Print or Type)	Signature	Date
GSE Systems, Inc.		1/22/02
Name (Print or Type)	Title (Print or Type)	
Richard Luebke	Corporate Counsel	

Instruction:

Print the name and title of the signing representative under his signature for the state portion of this form. One copy of every notice on Form D must be manually signed. Any copies not manually signed must be photocopies of the manually signed copy or bear typed or printed signatures.

1	2		3	4				5	
	Intend to sell to non-accredited investors in State (Part B-Item 1)		Type of security and aggregate offering price offered in state (Part C-Item1)	Type of investor and amount purchased in State (Part C-Item 2)				Disqualification under State ULOE (if yes, attach explanation of waiver granted) (Part E-Item1)	
State	Yes	No		Number of Accredited Investors	Amount	Number of Non-Accredited Investors	Amount	Yes	No
AL									
AK									
AZ									
AR									
CA									
CO									
CT									
DE									
DC									
FL									
GA									
HI									
ID									
IL									
IN									
IA									
KS									
KY									
LA									
ME									
MD									
MA									
MI									
MN									
MS									
MO									

APPENDIX

1 State	2 Intend to sell to non-accredited investors in State (Part B-Item 1)		3 Type of security and aggregate offering price offered in state (Part C-Item 1)	4 Type of investor and amount purchased in State (Part C-Item 2)				5 Disqualification under State ULOE (if yes, attach explanation of waiver granted) (Part E-Item 1)	
	Yes	No		Number of Accredited Investors	Amount	Number of Non-Accredited Investors	Amount	Yes	No
MT									
NE									
NV									
NH									
NJ									
NM									
NY									
NC									
ND									
OH									
OK									
OR									
PA									
RI									
SC									
SD									
TN									
TX									
UT									
VT									
VA		X	Preferred \$3,900,000	1	\$3,900,000	0	0		x
WA									
WV									
WI									
WY									
PR									

PREFERRED STOCK ISSUANCE AGREEMENT

THIS PREFERRED STOCK ISSUANCE AGREEMENT (this "Agreement") is entered into and effective this 5th day of December 2001 (the "Effective Date"), and is by and between GSE Systems, Inc., a Delaware corporation ("GSE"), and ManTech International Corporation, a New Jersey corporation ("ManTech"). GSE and ManTech may be collectively referred to as the "Parties."

RECITALS

WHEREAS, in accordance with the Allonge and First Modification to Replacement Promissory Note dated April 6, 2001, GSE has issued ManTech a promissory note in the amount of \$3.9 million (the "Promissory Note"); and

WHEREAS, pursuant to the authority duly conferred upon GSE's Board of Directors (the "Board"), the Board issued a resolution on May 30, 2001 creating, and authorizing GSE to issue, 39,000 shares of a series of preferred stock (hereinafter the "Series A Preferred Stock"); and

WHEREAS, ManTech has agreed to convert the Promissory Note into equity in exchange for the Series A Preferred Stock; and

WHEREAS, GSE wishes to issue the Series A Preferred Stock to ManTech in exchange for the cancellation, satisfaction, termination, and surrender of the Promissory Note, excluding any interest payment obligations due thereunder as of the Effective Date (hereinafter "Interest Obligations"); and

WHEREAS, ManTech hereby accepts the Series A Preferred Stock under the terms and conditions stated herein; and

WHEREAS, ManTech and GSE desire to enter into this Agreement to establish the respective rights and obligations between the parties.

NOW THEREFORE, in consideration of the mutual promises, covenants, terms and conditions hereinafter set forth, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereby agree as follows:

1. ISSUANCE OF SERIES A PREFERRED STOCK

1.1 Subject to the terms and conditions of this Agreement, GSE hereby issues ManTech the Series A Preferred Stock with a par value of \$0.01 per share, at a purchase price of \$100.00 per share (the "Preferred Purchase Price").

1.2 Upon the Effective Date hereof, the Parties agree that the Promissory Note is hereby cancelled, satisfied, terminated and surrendered, excluding any Interest

Obligations. ManTech agrees to deliver, transfer, issue or execute any instruments, documents, certificates or agreements to evidence that the Promissory Note is cancelled, satisfied, terminated and surrendered, excluding the Interest Obligations, if requested by GSE or GSE's lending institution or secured creditor(s).

- 1.3 GSE agrees to deliver, transfer, issue and/or execute a stock certificate to ManTech to evidence the issuance of the Series A Preferred Stock as contemplated hereunder.

2. SERIES A PREFERRED STOCK FEATURES

- 2.1 The Series A Preferred Stock will bear dividends at the rate of 6% per annum on the Preferred Purchase Price per share payable quarterly. Dividends will accumulate if not paid quarterly and compounded interest will accrue beginning thirty (30) days from the end of the quarter on any unpaid dividends.
- 2.2 The holders of Series A Preferred Stock shall have no voting rights at any meeting of GSE stockholders and shall not be entitled to notice of any such meeting except as may be specifically required by law.
- 2.3 The issuance of the Series A Preferred Stock is a private issuance of securities and, therefore, is exempt from SEC registration requirements.
- 2.4 The Series A Preferred Stock is not registered with the SEC under the Securities Act of 1933 and, therefore, is considered restricted securities in accordance with Rule 144 thereof. The Series A Preferred Stock cannot be offered for sale or sold except as specifically stated herein.
- 2.5 In the event of liquidation, dissolution or winding-up of GSE, whether voluntary or involuntary, the holders of the Series A Preferred Stock shall be entitled to be paid the sum of \$100.00 per share before any distribution is made to the holders of GSE common stock.
- 2.6 The Series A Preferred Stock shall rank junior (as to dividends and upon liquidation, dissolution and winding up) to all other series of GSE's preferred stock except as otherwise specifically provided.
- 2.7 The Series A Preferred Stock shall not be redeemable.
- 2.8 The holders of Series A Preferred Stock shall not have any preemptive rights to acquire additional shares of stock of any class which GSE may elect to issue or sell.
- 2.9 The holder of the Series A Preferred Stock agrees to a holding period of at least one (1) year from the Effective Date hereof.

3. CONVERSION RIGHTS OF SERIES A PREFERRED STOCK

- 3.1 Each holder of the Series A Preferred Stock shall have the following conversion rights: (A) Optional Conversion: each share of the Series A Preferred Stock shall be convertible, at the option of the holder thereof, at any time within three (3) years from the Effective Date into such number of fully paid and non-assessable shares of GSE common stock as is determined by dividing the per share Preferred Purchase Price by the conversion price of \$2.645 per share; or (B) Mandatory Conversion: Upon the expiration of the three-year conversion period, each share of Series A Preferred Stock still in effect shall automatically convert into such number of fully paid and non-assessable shares of GSE common stock as is determined by dividing the per share Preferred Purchase Price by the conversion price of \$2.645 per share. Upon conversion under either (A) or (B), the Series A Preferred Stock converts into an aggregate of 1,474,480 shares of GSE common stock at the price of \$2.645 per share. Any accrued and unpaid dividends on the shares of Series A Preferred Stock convert into a debt represented by a promissory note to the last holder of such shares of Series A Preferred Stock.
- 3.2 ManTech may only exercise the Optional Conversion upon providing GSE and GP Strategies Corporation ("GP Strategies") at least ten (10) days prior written notice.
- 3.3 The Optional Conversion may only be exercised by the holder of Series A Preferred Stock upon the surrender of any certificate(s) therefor, duly endorsed, or upon providing other documentary evidence establishing the ownership thereof, to GSE or GSE's transfer agent, by giving notice to GSE at its principal corporate office or to such transfer agent, including the election to convert the same and stating the name(s) in which the certificate(s) for shares of GSE common stock are to be issued. As of the close of business on the date of the conversion, the person(s) entitled to receive the shares of GSE common stock issuable upon such conversion shall be treated for all purposes as the record holder(s) of such shares of GSE common stock.
- 3.4 Upon Mandatory Conversion, each certificate or other document for shares of Series A Preferred Stock shall be deemed to evidence the shares of GSE common stock into which the shares of Series A Preferred Stock were converted. Any holder of shares of GSE common stock so converted shall surrender any certificate(s) issued in connection with such holder's acquisition of Series A Preferred Stock to GSE or GSE's transfer agent, and shall provide the name(s) in which the certificate(s) for shares of GSE common stock are to be issued.

4. RESTRICTIONS ON TRANSFER OF SERIES A PREFERRED STOCK

- 4.1 Any transfer of shares of Series A Preferred Stock except (a) to GSE, or (b) to GP Strategies pursuant to Section 5.1, or (c) pursuant to a pledge of the Series A Preferred Stock to ManTech's institutional lenders or the transfer of the Series A Preferred Stock pursuant to such pledge, shall be null and void, and GSE shall

refuse to recognize any such transfer and shall not reflect on its records any change in record ownership of the Series A Preferred Stock pursuant to any such transfer and the intended transferee of such shares shall be deemed never to have had an interest therein.

- 4.2 The certificate issued pursuant to Section 1.3 shall contain a restrictive legend affixed thereto stating that the Series A Preferred Stock has not been registered under the Securities Act of 1933 or the securities laws of any state and, in addition to any other legends that may be required under federal or state securities laws, will contain an endorsement by the Secretary of GSE as follows:

The Series A Preferred Stock evidenced by this certificate is subject to the restrictions on transfer set forth in the Certificate of Incorporation, as amended, of the Corporation. The Corporation will furnish information about the restrictions to any stockholder upon request and without charge.

- 4.3 GSE may note upon its stock transfer records a "stop transfer order" with respect to the Series A Preferred Stock in order to enforce the restrictions on transfer stated herein. Neither GSE nor its transfer agent shall be liable for any refusal to transfer the Series A Preferred Stock upon the books of GSE, except in compliance with the terms and conditions of such restrictions.
- 4.4 The restrictions on transfer set forth herein shall terminate upon the earlier to occur of conversion of the Series A Preferred Stock to GSE common stock or any of the following events: (a) a determination by the Board, (b) the cessation of GSE's business, or (c) the bankruptcy, liquidation, receivership, or dissolution of GSE.

5. GP STRATEGIES OPTION

- 5.1 GSE acknowledges that ManTech has an agreement with GP Strategies granting GP Strategies an option to acquire 19,500 shares of the Series A Preferred Stock from ManTech upon the payment of \$1,950,000, plus any accrued and unpaid dividends. Such option may only be exercised by GP Strategies before ManTech exercises its option to convert the Series A Preferred Stock to GSE common stock. Upon the exercise of the option, GP Strategies will acquire 19,500 shares of Series A Preferred Stock under the same terms and conditions as ManTech.

6. REPRESENTATIONS, WARRANTIES AND COVENANTS

- 6.1 GSE hereby represents, warrants and covenants that: (a) it is a corporation duly organized, validly existing, and in good standing under the laws of the State of Delaware, (b) it has the corporate power and authority to own, lease and operate its properties and conduct its business in the manner in which its business is now being conducted, to execute and deliver this Agreement, to issue the Series A Preferred Stock and the GSE common stock issuable upon conversion thereof, and to carry out the provisions of this Agreement, (c) the execution and delivery of this

Agreement and the performance of the transactions contemplated thereby, including the issuance of the Series A Preferred Stock and the GSE common stock issuable upon conversion thereof, have been duly authorized and approved by all necessary corporate action on the part of GSE, its officers, directors and shareholders, (d) it shall at all times reserve and keep available out of its authorized but unissued shares of common stock, solely for the purpose of effecting the conversion of the Series A Preferred Stock, such number of its shares of common stock as shall from time to time be sufficient to effect the conversion of all then outstanding shares of Series A Preferred Stock, and (e) the Series A Preferred Stock, when issued and delivered in accordance with this Agreement for the consideration expressed herein, will be duly and validly issued, fully paid and non-assessable, and the GSE common stock issuable upon conversion of the Series A Preferred Stock has been duly and validly reserved for issuance and upon issuance will be duly and validly issued, fully paid and non-assessable.

- 6.2 ManTech hereby represents, warrants and covenants that: (a) it is a corporation duly organized, validly existing, and in good standing under the laws of the State of New Jersey, (b) it has the corporate power and authority to own, lease and operate its properties and conduct its business in the manner in which its business is now being conducted, to execute and deliver this Agreement, and to carry out the provisions of this Agreement, (c) it is acquiring the Series A Preferred Stock for its own account for investment only, and not with a view to, or for sale in connection with, any distribution thereof or with any intention of disposing of the same or any interest therein, except as expressly stated at Sections 4.1 or 5.1, (d) it is experienced in evaluating and investing in securities of public companies, can bear the economic risk of its investment, and that it has such knowledge and experience in financial or business matters that it is capable of evaluating the merits and risks of its investment in the Series A Preferred Stock, (e) it is an "accredited investor" within the meaning of Rule 501 of Regulation D, as presently in effect, (f) it understands that the Series A Preferred Stock (and any GSE common stock issued on conversion thereof) may not be sold, transferred, or otherwise disposed of without registration under the Securities Act of 1933 or an exemption therefrom, but in no event shall any registration or exemption be available for at least one (1) year from the Effective Date hereof, and (g) it understands that the Series A Preferred Stock (and any GSE common stock issued on conversion thereof) may only be sold in compliance with Rule 144 under the Securities Act of 1933.

7. MISCELLANEOUS

- 7.1 If any term or provision of this Agreement shall be held to be invalid, illegal or unenforceable, the balance of the Agreement shall not be affected and it shall remain in full force and effect.
- 7.2 This Agreement, including the rights and obligations of the Parties hereto, shall be governed by the laws of the State of Maryland, excluding its conflict of laws principles.

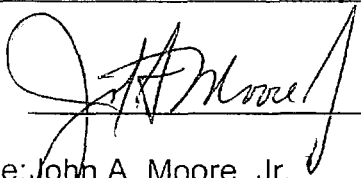
7.3 This Agreement may be executed in counterparts (whether original or facsimile counterparts), each of which upon due execution shall be deemed an original and part of the same document.

7.4 Except with respect to Sections 4.1 or 5.1, this Agreement may not be assigned or transferred by one party without the other party's prior written consent.

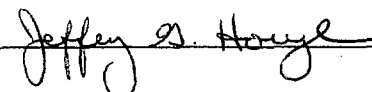
7.5 This Agreement constitutes the exclusive and entire understanding and agreement between the Parties with respect to the subject matter hereof. This Agreement supersedes any prior proposals, representations, commitments, understandings or agreements, whether oral or written, with respect to the subject matter hereof. No amendment or modification of this Agreement shall be valid or binding unless set forth in writing and duly executed by the Parties hereto.

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the date first above written.

ManTech International Corporation:

By: 
Name: John A. Moore, Jr.
Title: Executive VP & CFO

GSE Systems, Inc.:

By: 
Name: Jeffery G. Hough
Title: SVP, CFO & Secretary